Service Recovery Strategy Relationship to Cumulative Satisfaction and Loyalty: A Study on Bandung City Insurance Companies, Indonesia

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Abstract

In so many service industries, there will always be possibility that consumer experiences dissatisfaction to quality of service given by company. Customer dissatisfaction can be reflecting from complain submitted at company, discuss this with others or even changes over to other service provider. If service failure generating dissatisfaction of consumer happened in corporate, hence company can perform service recovery to return satisfaction of consumer. Service recovery is believed not only can return satisfaction of consumer losing however also can maintain loyalty consumer to service provider. The study aim is to test whether service recovery strategy relationship to cumulative satisfaction and loyalty on the geographical perspective of Bandung city Insurance companies, Indonesia. Satisfaction with service recovery consisted of communication, empowerment, feedback, atonement, education, and tangibles. Research model applied in this research adaptation from research model Boshoff (2005). Sampling technique used convenience sampling, total sample in this research to 200 respondents from insurance company in Bandung which has experienced service recovery. Statistical test applies multiple regression method with supported by SPSS 16. After done statistical testing the hypothesis, the result that independent variable (satisfaction with service recovery) what can explain variable dependent (cumulative satisfaction) are communication, feedback, and education about the reasons of dissatisfaction, equal to 62.9%. While cumulative satisfaction can only explain loyalty equal to 47.5% only, mean there are still other factor influencing consumer loyalty after service recovery further satisfaction to service recovery applied by insurance company.

Research Background

In all service sectors, in reality there will always be a gap between the expected services and the services received by consumers. This gap has resulted in failure in service delivery by service providers. Generally, consumers express dissatisfaction with the gap that occurs by giving complaints to service providers. If the complaint is not responded to by the company, it can have a detrimental impact both in terms of growth and long-term success of the company. Even so, the company's response in responding to consumer complaints can have an impact on consumer behavior after complaints are submitted (customers post-complain) ranging from repurchase intentions to WOM (Word of Mouth) activities. Sources of disputes can vary; some are caused by errors in the interpretation of the policy and some are due to denial of the implementation of the contract agreement. One of the common complaints is that it takes a long time to disburse customer funds, incorrect information on premium values. BMAI members total 152 insurance companies of various types, including general, life, and social insurance. Therefore, if it is not responded to properly, there will be dissatisfaction that will harm the company as described previously. Based on these considerations the author will conduct testing in insurance services.

Identification of problems

main problem faced is:

1.   1. Is there a relationship between satisfaction with service recovery and cumulative satisfaction?
2.   Is there a relationship between cumulative satisfaction and loyalty?

Research purposes

The research objectives to be achieved are as follows:

1.   1. To find out whether there is a relationship between satisfaction with service recovery and cumulative satisfaction.
2.   Untuk mengetahui ada tidaknya hubungan *cumulative satisfaction* dengan *loyalty*.

Research Use

This research is expected to provide benefits from aspects of scientific development, practical aspects, and for further researchers. From the aspect of knowledge development, it is expected to be able to contribute and add insight in marketing management science, especially the application of service recovery strategies, and its relationship to cumulative satisfaction and loyalty after service failure in insurance services.

Literature Review

Service Recovery

Parasuraman, Zeithaml, & Berry (1988) define expectations as consumers' perceptions of what service providers should offer compared to what they have provided

Cumulative Satisfaction

According to Bitner & Hubbert (2000) transaction-specific satisfaction is customer dissatisfaction with each service encounter that occurs; while cumulative or overall satisfaction as satisfied or not consumers overall encounter and experience with a particular organization.
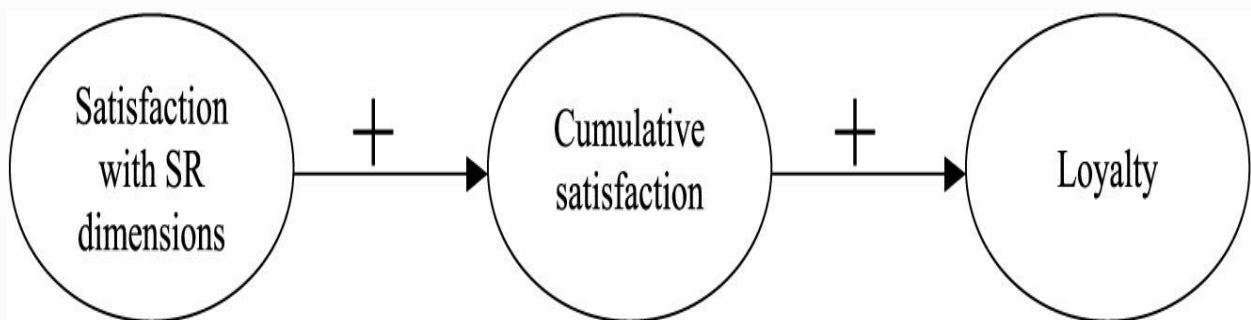
Loyalty

Loyalty according to Thiele & Mackay (2001) has two types, namely attitudinal loyalty and behavioral loyalty. Behavioral loyalty is a consumer's actual purchase that is observed by researchers over a certain period of time, while attitudinal loyalty is defined as a commitment and request to buy which is usually observed or measured through survey methods. The relationship between satisfaction with service recovery, cumulative satisfaction and loyalty Andreassen (1999) argues that negative affection for the company arises due to the disconfirmation of negative expectations from previous service delivery which has a negative impact on satisfaction ratings in responding to customer complaints and loyalty.

Conceptual Framework

The fact that there is dissatisfaction in service delivery caused by service failure from the company has a negative effect on the long-term sustainability of the company. This can be overcome by performing service recovery (the process of returning consumers who are dissatisfied with a company after the services or products they consume do not meet their expectations).

Research Model

The model used in this study adapts the research model of Boshoff (2005). The model shows a positive relationship from satisfaction through service recovery dimensions (Satisfaction with service recovery) to cumulative satisfaction and a positive relationship to loyalty.

Picture 1
Research Model, Boshoff (2005)

Definition of Construct Variable

There are three construct variables in testing whether there is a relationship between satisfaction with service recovery and cumulative satisfaction and loyalty:

1.   *Satisfaction with Service Recovery*
The results of thoughts, plans, and processes in restoring customer satisfaction who feel aggrieved by the company after a failure to deliver services / products that are not in accordance with consumer expectations.
2.   *Cumulative satisfaction*
Satisfaction based on the overall service received.
3.   *Loyalty*
A condition of a certain duration of time and requires that the purchase action occur no less than 2 times.

Research Hypothesis

Based on the conceptual framework above, the author can draw the following hypothesis:
1.   Satisfaction with service recovery has a positive relationship to cumulative satisfaction.
2.   Cumulative satisfaction has a positive relationship to loyalty.

Research Design

A study conducted according to the time horizon is a one-stage study (one shot study) where data collection is carried out at once, it can be in the form of data from one or several research subjects covering one or several time periods (days, weeks, months, or years). This study uses a survey method which is a system to collect information widely from a group of subjects with interests in various diverse fields. This study is designed to explain the relationship between satisfaction with service recovery on cumulative satisfaction and the relationship between cumulative satisfaction and loyalty.

Population and Research Sample

The population in this study are insurance customers. The sample unit is the individual. The sample used is insurance customers in Bandung who have experienced service recovery.

Sampling Method

Sampling in this study uses a non-probability sampling technique, that is, each element in the population does not have the same probability. The sample analysis method used the convenience sampling method, respondents were chosen because they were in the right situation and time, in this study a group of insurance service users who had experienced service recovery. According to Hair et al. (1998) based on the consideration of Maximum Likelihood Estimation (MLE), the number of samples of 50 can provide valid results, but the number of samples of 50 is not recommended in a study. The determination of the number of samples in this study is based on the rule of thumb which states that the number of samples is five times the number of indicators estimated. The number of samples used in this study amounted to 200 samples.

Research Instruments

Dalam membuat penelitian tersebut peneliti mengadaptasi dari model penelitian Boshoff (2005), All questions for operational variables were measured using Likert scales with a score of 1 to 5, for strongly disagree (score 1) and strongly agree (score 5). The scale used in this study is an interval scale, which is a measurement scale that can compare the differences between the objects studied, the scale can be used for statistical tests such as regression, factor analysis, t-test, correlation, product moment, and ANOVA. The following is the operational definition of the variables in measuring the relationship between satisfaction service recovery and cumulative satisfaction and their relationship to loyalty, namely:

- Satisfaction with Service Recovery

The results of thoughts, plans, and processes in restoring customer satisfaction who feel aggrieved by the company after a failure to deliver services / products that are not in accordance with consumer expectations. Satisfaction with service recovery consists of six sub-variables, namely communication, empowerment, feedback, atonement, educating the customers regarding the reasons of dissatisfaction, and tangibles. For sub-var communication consists of three questions; while for the other sub-vars each consists of two questions (Boshoff, 2005).

- Cumulative Satisfaction

Satisfaction based on the overall service received, which is influenced by the company's satisfactory efforts in solving problems, overall consumers are satisfied with the way the company handles insurance customer complaints. Cumulative satisfaction can be measured through two question items such as consumers are satisfied with the handling of their complaints and satisfied with the company's ability to solve problems (Anderson et al., 1994) and Macintosch & Lockshin (1997) in Boshoff (2005)

- Loyalty

Conditions of a certain duration of time and require that the purchase action occurs no less than 2 times, which can be seen from consumers who will recommend the company to others, in the future they will still become customers and they are loyal customers. loyalty can be measured through three question items based on Zeitahml et al. (1996), Sirohi et al. (1998) and East et al. (2000) in Boshoff (2005) such as consumers will recommend the service company to others, consumers will continue to use the company's services in the future and will be loyal to the company.

Table 1
Variable Operation

No	Variable	Variable definition	Sub variable	Indicator	Scale
1.	Variable *Satisfaction with service recovery*	The results of thoughts, plans, and processes in restoring customer satisfaction who feel aggrieved by the company after a failure to deliver services / products that are not in accordance with consumer expectations	*Communication*	Employees who deal with consumers give good feedback, clarify the situation, understanding in responding to complaints.	Interval
			Empowerment	Complaints can be handled by one employee only; no other employees are found to handle the problem.	Interval
			Feedback	The company provides follow-up information on consumer complaints, apologies in writing.	Interval
			Atonement	The company ensures that consumers remain their customers, employees who deal with consumers are very courteous.	Interval
			Education	The company is able to explain the cause of the problem satisfactorily.	Interval
			Tangibles	Employees dealing with consumers are neatly dressed, work well, employees are professional.	Interval

2.	Variable *Cumulative satisfaction*	Satisfaction based on the overall service received		Satisfactory company efforts in solving problems, overall customers are satisfied with the way the company handles their complaints.	Interval
3.	Variable *Loyalty*	A condition of a certain duration of time and requires that the purchase action occur no less than 2 times		Consumers will recommend the company to others; in the future they will still become customers who are ultimately called loyal customers.	Interval

Hypothesis Testing Results

Satisfaction with Service recovery

Note: **NS** = not significant
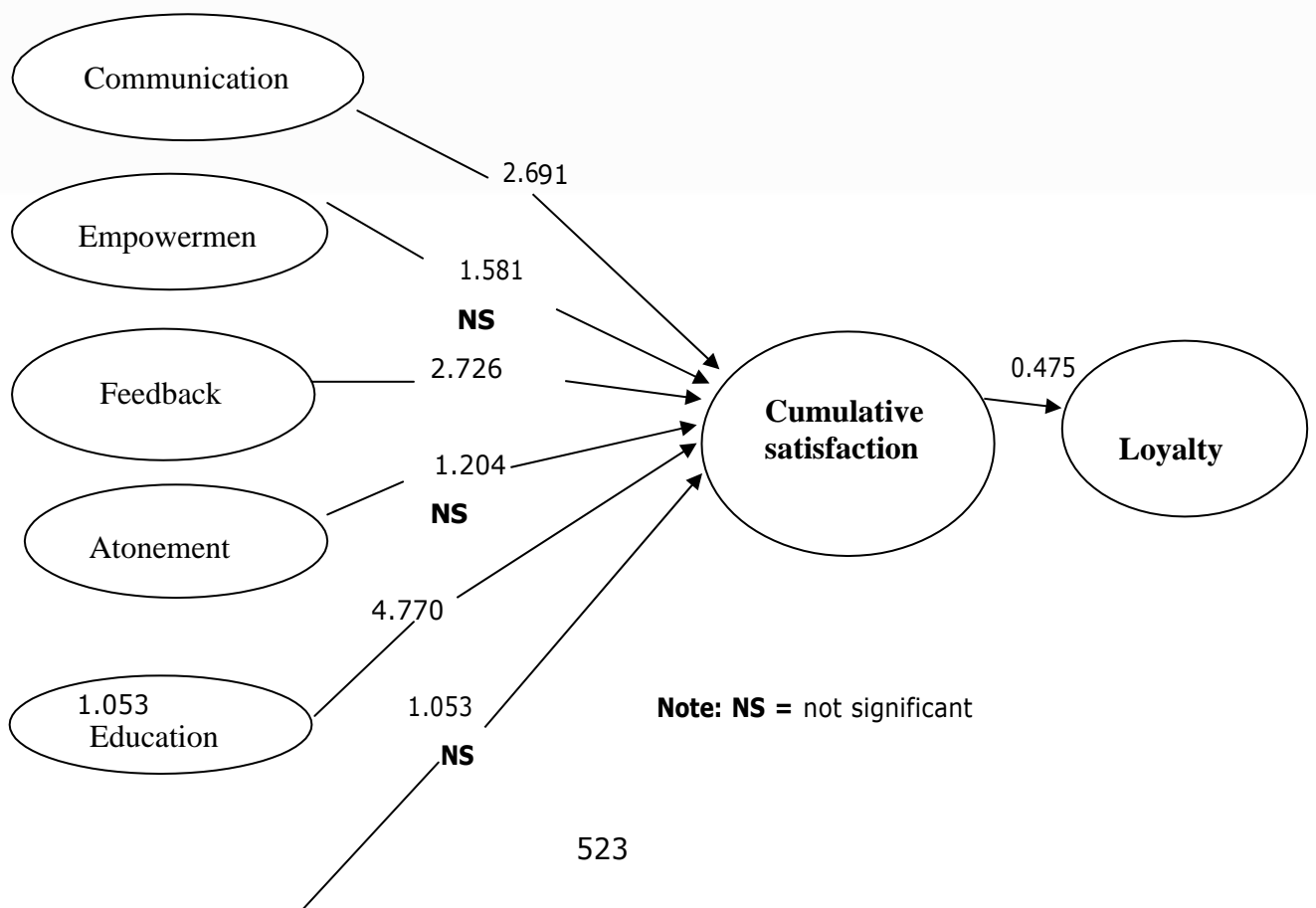
Tangibles

Picture 2
The research model of the relationship between satisfaction with service recovery and cumulative satisfaction and its relationship to loyalty to insurance services The conclusion is that the independent variables (communication, feedback, and education) significantly contribute to the dependent variable (cumulative satisfaction). While the Ftable for regression testing of cumulative satisfaction on loyalty with a confidence level of 5% and degrees of freedom df1 = 1 and df2 = 198, which is 3.89. Because Fcount (179.028) > Ftable (0.05) = 3.89, then H0 is rejected and H1 is accepted. Then the independent variable (cumulative satisfaction) significantly contributes to the dependent variable (loyalty).

Data analysis method

The application that will be used to analyze the data is SPSS 16. The method used is a validity test using factor analysis using factor loading. The indicator of each construct that has a significant loading factor proves that the indicator is a measuring tool that measures the same construct and can predict well the construct that should be predicted (Hair et al., 1998). To test the hypothesis will use multiple regression statistical techniques.

Data

The number of questionnaires collected is 200 questionnaires. The recommended minimum sample size is 90 or at least exceeds 5 times the estimated number of indicators Data collection**.** The data collection in this study was carried out using a survey method, namely using a questionnaire containing a number of gauges or construct variables used in this study.

Analysis of Research Result

From research conducted on 200 respondents who have experienced service recovery in insurance services, it is proven that satisfaction with service recovery is indeed an indicator of cumulative satisfaction. In this case, the roles are communication, feedback, and educating the customers regarding reasons of dissatisfaction. Communication plays a role because respondents who experience service failure want the company to respond to the complaints they submit, consumers who experience delays when claiming insurance want insurance companies to respond, provide clarification and be able to understand the actual condition of consumers.

Managerial Implications

The results of this study can be used as a basis for marketers of insurance services in increasing customer satisfaction through service recovery after a service failure occurs. From the results of these studies, companies must be able to provide satisfactory service recovery because it will affect the cumulative satisfaction of consumers which will also have an impact on consumer loyalty. If during service recovery, consumers feel dissatisfied, it will have a negative impact on the long-term sustainability of the company. Generally, these dissatisfied consumers will spread negative WOM, this must be watched out for by the company. Customers who have experienced satisfactory service recovery will also be more loyal to the company, even though no customer is 100% loya

Conclusion

1. There is a relationship between satisfaction with service recovery and cumulative satisfaction.
2. There is a relationship between cumulative satisfaction and loyalty.

3. The results of the research on the satisfaction with service recovery variables that have the most significant impact on cumulative satisfaction are communication, feedback, and education.
4. The impact of cumulative satisfaction on loyalty is not that great, this shows that there are other factors that affect loyalty more than just customer satisfaction obtained through service recovery.
5. Other factors that may be related to loyalty besides satisfaction, one of which is the emotional factor when consumers have experienced service failure, a negative attitude will arise towards the company, so even though overall consumers are satisfied with the service recovery made by the company, the impact on loyalty remains low In addition, WOM from consumers of other insurance services also has an effect on creating a negative attitude towards the company.

Suggestion

In further research, it is necessary to adjust the questionnaire questions and add indicators to measure the concept of cumulative satisfaction and loyalty. Questionnaire items can be considered not as dimensions of service recovery but as outputs of service recovery. If you want the results of the study to be generalized, the research can be carried out in several areas that are considered representative, and the sampling method can be adjusted to better represent the population being studied. For further research, there are still many factors that can be considered as antecedent loyalty after service recovery apart from the satisfaction factor

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